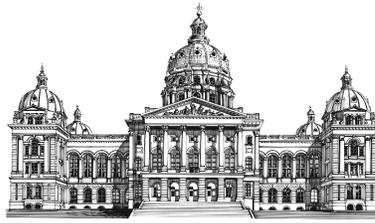

Iowa Legislative Fiscal Bureau

Background

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Information On Possible

State Capitol
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Incentives To Encourage Registration Of Child Care Providers

ISSUE

It is estimated that at least half of the child day care providers in Iowa are neither registered nor licensed. The General Assembly directed the Department of Human Services to develop by January 1, 1996, recommendations for incentives to encourage these providers to register with the Department of Human Services. This *Issue Review* provides background information pertaining to potential incentives.

AFFECTED AGENCIES

Department of Human Services

CODE AUTHORITY

Chapter 237A, Code of Iowa, pertains to licensing and registration of child day care providers.

Section 6.5 of Senate File 462 (the FY 1996 Human Services Appropriations Bill) requires the Department of Human Services (DHS) to develop incentives to encourage the registration of child day care providers. The legislation requires that these incentives be developed in cooperation with child day care Resource and Referral Services and with the State Child Day Care Advisory Council, and that the DHS report the recommendations to the Chairpersons and Ranking Members of the Human Services Appropriations Subcommittee by January 1, 1996.

BACKGROUND

There are three types of statutorily recognized child day care providers in Iowa with a total of approximately 6,808 facilities. These facilities have a capacity of 102,963 children.

- Registered Family Day Care Homes receive minimal State regulation. They care for up to six children, with additional children allowed after-school or on days when the public schools are closed due to weather. There are 3,423 Registered Family Day Care Homes with a capacity of 18,209 children.
- Registered Group Day Care Homes must meet additional requirements pertaining to fire-safety. They care for between six and eleven children, with additional children allowed after-

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school or on days when the public schools are closed due to weather. There are 1,829 Registered Group Day Care Homes with a capacity of 18,824 children.

- Licensed Child Care Centers must meet a wide variety of service standards and requirements. These are codified in Administrative Rules and pertain to:
 - The number and qualifications of staff that are necessary to assure the health, safety, and welfare of children in the facilities.
 - Physical facilities.
 - The adequacy of activity programs and food services available to the children.
 - Policies established by the center for parental participation.
 - Programs for education and in-service training of staff.
 - Records kept by the facilities.
 - Administration.
 - Health, safety and medical policies for children.
 - The State Fire Marshal is required to adopt rules relating to fire safety, in consultation with the DHS and the State Child Day Care Advisory Council. The State Fire Marshal must inspect the facilities.

There are 1,829 Licensed Child Care Centers with a capacity of 18,824 children.

Facilities operated as a school, or operated under the supervision of a school, are exempt from licensing by the DHS. There are 140 providers in this exempt category, with a capacity of 2,647 children.

The number of unregistered child day care providers in the State is not known. However, there are 2,289 unregistered providers working with a Resource and Referral Center, with a capacity of 9,974 children.

A child day care provider receives a number of benefits from registration:

- Training from regional Resource and Referral Centers, County Extension Services, and Area Community Colleges.
- Free and Reduced Meals through the Department of Education.
- Child Abuse and Criminal Records checks on potential employees.
- Certificate of Registration to show current and potential customers.

Child day care providers who provide services to children enrolled in the State Child Day Care Assistance Program receive the same reimbursement rate regardless of whether they are registered or licensed. This rate is set by the DHS and is based upon a survey (last conducted in FY 1994) of child care providers; federal law limits the maximum reimbursement rate to 75.0% of the surveyed "local market rate." The survey of providers will be done again in FY 1996 if federal law allows the DHS to increase reimbursement rates.

The reimbursement rates for a half-day of child care under the Program are contained in the following Table.

Table - Reimbursement Rates Paid Providers for Half-Day of Child Care

Age of Child	Licensed Child Care Centers	Registered Family Day Homes	Registered Group Day Care Providers
Two weeks to two years	\$ 9.60	\$ 8.19	\$ 7.77
Two years to Kindergarten	\$ 7.98	\$ 7.19	\$ 7.19
Half-Day Kindergarten Student	\$ 7.50	\$ 6.76	\$ 7.19
Full-Day Student	\$ 7.68	\$ 7.36	\$ 7.19

However, providers who have been in operation since November 1993 are frozen at the reimbursement rate received at that time. Providers who started operation since that time receive the lesser of the amount charged private pay clients and the rate ceiling shown in the Table.

Although detailed information is not available, it is estimated that most unregistered and unlicensed providers have started operation since 1993. Because of the rate freeze, many of these providers are receiving a higher reimbursement rate than providers who have been in operation before 1993.

ALTERNATIVES

During the 1995 General Assembly there was legislative discussion of paying a supplemental per diem to child day care providers who are either registered or licensed. Federal law allows the State to set the reimbursement rate, and does not require paying all providers the same rate.

Several alternatives have been identified:

- Focus additional resources on educating providers of the benefits they will receive from becoming registered and the minimal nature of the requirements. The DHS could conduct market research to determine how to most effectively market the benefits of registration.
- Publicize the registration and licensure system to parents of children receiving a subsidy payment so they are aware of the benefits from using a registered or licensed provider.
- Create an economic disincentive for providers who choose to remain unregistered, i.e., reduce the reimbursement rate for unregistered/unlicensed providers. The savings achieved from this policy could be used to reduce expenditures on child day care or be used to increase the number of families receiving subsidies.

BUDGET IMPACT

The estimated cost of paying a \$1.00 supplemental per diem to registered or licensed child day care providers is \$2.0 million. Because all federal money for which Iowa is eligible is already being used, this additional cost would be a State obligation. The supplemental per diem could be an amount less than \$1.00, in which case the cost would be appropriately pro rated.

The estimated cost of devoting additional resources to educating providers and parents is entirely dependent upon the intensity of the desired marketing campaign.

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Child Care - DHS